

NEWS RELEASE

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Superseding Indictment Charges Riverton Man with Participating in \$8 Million Real Estate Scheme

Springfield, IL - The federal grand jury has charged a Riverton, Illinois man with participating in an \$8 million real estate scheme indicted last month, as announced by Jan Paul Miller, United States Attorney for the Central District of Illinois. The grand jury returned the superseding indictment today charging **Frank Kelly Ciota**, 44, of Riverton, with **Gary Knox**, 59, of Decatur, Illinois, and **Dennis Wiese, Jr.**, 37, of Belleville, Illinois. Knox and Wiese were initially charged in an indictment returned on July 8, 2005.

The superseding indictment returned today alleges that Ciota participated with Knox and Wiese in a real estate “flipping” scheme involving properties in Springfield and Decatur, Illinois. The scheme allegedly began in 1999 or before, and continued into 2005, involved more than 150 fraudulent real estate sales and financing transactions and more than \$8 million dollars. Knox and Ciota allegedly obtained more than \$3 million for their personal use and to promote the ongoing scheme while Wiese received fees of \$350 to \$450 per appraisal.

A summons will be issued to Ciota and Wiese to appear in federal court in Urbana for arraignment. Wiese, who was previously released on bond, and Knox, who was ordered detained in the custody of the U.S. Marshals Service pending trial, will be issued notices to appear on the superseding indictment.

According to the superseding indictment, Knox allegedly represented himself and his business, Central Illinois Management and Development Company, to be in the business of buying, selling and managing real estate; however, he was not a licensed real estate broker or

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salesperson. Ciota was not a licensed real estate broker or salesperson. Wiese, at the time of the alleged scheme, was a licensed Illinois real estate appraiser who allegedly performed numerous appraisals for Knox and Ciota in which he falsely inflated, usually significantly, the value of the real estate.

The superseding indictment details numerous transactions between various buyers and sellers for properties in Decatur and Springfield for which Wiese allegedly prepared fraudulent appraisals for Knox and Ciota:

418 S. Siegel; 1145 N. Pine; 467 S. Boyd; and 1039 N. Church Street, Decatur, Illinois; and in Springfield, at 830 S. 12th Street; 1320 S. 13th St.; 1305 South Grand Avenue East; 821 S. 14th Street; and, 1414 South Grand Avenue East.

To carry out the scheme, Knox and Ciota allegedly recruited buyers, typically with little or no experience in real estate investment. To entice buyers to invest in rental real estate, Knox and Ciota allegedly made one or more representations to them regarding prospective properties: payment of \$5,000 or more for each property purchased; no-money down purchases; assistance with loan applications; that Knox and Ciota would act as the buyers' property manager, to locate tenants and collect rents; that they would make the loan payments directly to the mortgage lenders; and, that they would buy back the properties on a contract for deed. As a result of the scheme, the indictment alleges various mortgage lenders, and real estate buyers and sellers often incurred significant financial losses.

The superseding indictment alleges that relatives of Ciota, a married couple, were the unwitting buyers of 12 properties, including four Springfield properties that were purchased within a three-day period in November 2002 for a total of \$229,500. Ciota had allegedly advised the couple of investment opportunities in rental real estate. The couple provided financial information to Ciota who allegedly falsely represented to them that they qualified for financing to purchase 12 to 20 houses. On November 5, three of the properties, located at 830 S. 12th Street; 1320 S. 13th Street, and 1305 South Grand Avenue East, were allegedly purchased by the couple, without their knowledge or approval. The fourth property, at 821 S. 14th Street was allegedly sold to the couple on November 8, 2002, also without their knowledge or approval. Wiese

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allegedly obtained a fee for the fraudulent appraisals while Knox and Ciota allegedly converted more than \$175,000 in profits to their personal use.

The three defendants, Knox, Ciota and Wiese, are charged together in six of the superseding indictment's eleven counts: bank fraud (one count), wire fraud (one count), and mail fraud (four counts.) Knox and Wiese are also charged together in one additional count of mail fraud and two additional counts of bank fraud. Count ten of the superseding indictment charges Knox and Ciota with mail fraud related to the alleged illegal "flip" of Knox's former Decatur residence, at 8 Montgomery Place, in 2004.

In count eleven, Knox and Ciota are charged with conspiracy to commit money laundering from late 2002 or before, and continuing into 2005, related to the financial transactions involving proceeds of unlawful activity as charged in the indictment.

The charges are the result of an investigation by the Federal Deposit Insurance Corporation's (FDIC) Office of Inspector General, Western Region; the U.S. Postal Inspection Service, Chicago Division; and the Federal Bureau of Investigation, Springfield Division. The Illinois Department of Financial and Professional Regulation, Division of Banks and Real Estate, also provided assistance in the investigation. The government is being represented by Assistant U.S. Attorney Timothy A. Bass.

If convicted, each offense of bank fraud, mail fraud and wire fraud contained in the superseding indictment carries a maximum statutory penalty of up to 30 years imprisonment and a fine of \$1,000,000. The maximum statutory penalty for the offense of conspiracy to commit money laundering is 20 years in prison and a fine of \$500,000.

Members of the public are reminded that an indictment is merely an accusation; the defendants are presumed innocent unless proven guilty.

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